

**RESOLUTION No. 37062**

Accept the audit of the Comprehensive Annual Financial Report for FY 2012-2013 and the related Communications with Those Charged with Governance, and adopt the management responses to correct the deficiencies in financial reporting controls disclosed in the audit. (Resolution)

WHEREAS, the Oregon Revised Statute 297.425 and Oregon Administrative Rules, Division 10 require that every municipal corporation undergo an independent financial audit at least annually; and

WHEREAS, the City Charter, Chapter 2, Article 5, Section 2-505 requires that “the Auditor shall conduct financial and performance audits of City government in accordance with generally accepted governmental auditing standards, and shall appoint, coordinate and monitor the annual audit of the City’s financial statements by an independent licensed public accountant”; and

WHEREAS, the City of Portland and the Portland Development Commission receive federal awards, which must be audited for compliance with the terms of the related federal programs under the Single Audit Act, and related Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and

WHEREAS, Ordinance No. 185332 passed on May 16, 2012 authorized the contract with Moss Adams LLP, Certified Public Accountants to audit the financial statements of the Fiscal Years (FY) 2011-12 through 2013-14 of the City and its reporting entities, and to conduct the federal compliance audit for those years; and

WHEREAS, Statement on Auditing Standard (SAS) No. 114 requires the financial auditor to communicate in writing every year with “those charged with governance matters related to the financial statement audit” that are “significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process”; and

WHEREAS, the Communications with Those Charged with Governance, attached as Exhibit A, contains routine matters required by SAS No. 114. This letter also includes the Confirmation of Auditor Independence by Moss Adams, stating that Moss Adams is independent of the City of Portland, for the purposes of auditing the City’s financial statements for the year ended June 30, 2013; and

WHEREAS, the City of Portland’s financial statements, known as the Comprehensive Annual Financial Report (CAFR), are prepared by the Accounting Division of the Office of Management and Finance (OMF). A copy of the audited CAFR, including the Federal Single Audit Report for FY 2012-13, is attached as Exhibit B; and

WHEREAS, Moss Adams, LLP has completed the financial audit of the City of Portland’s CAFR for Fiscal Year ended June 30, 2013 and has delivered an unmodified opinion (on page 12 of the CAFR). An unmodified opinion is a clean opinion, saying that the City’s basic financial statements are presented in conformity with generally accepted accounting principles (GAAP). Specifically, the

City's basic financial statements (on pages 40 through 141 of the CAFR) present fairly, in all material respects, the financial position of the City of Portland and its component units as of June 30, 2013, and the respective changes in financial position and cash flows for the year then ended, in conformity with GAAP; and

WHEREAS, this opinion from the City's independent financial auditors means that readers may rely upon the City's CAFR with reasonable assurance that the transactions and balances reported in it are presented free of material misstatement; and

WHEREAS, Moss Adams, LLP has completed the financial audits of the Portland Development Commission's CAFR, and of the Fire & Police Disability & Retirement Funds' financial statements, for FY 2012-2013 and has delivered an unmodified opinion on each of these financial audits; and

WHEREAS, the audited financial statements show that the financial position of the City's governmental activities continues to decline (on page 304 of the CAFR). This decline does not meet the definitions of a material weakness or significant deficiency in internal controls over financial reporting. However, it is a trend which, in the financial auditors' professional judgment, should be brought to Council's attention. Therefore, the Communications with Those Charged with Governance, also contains under Other Matters, a recommendation to the City Commissioners by the financial auditors about addressing the declining financial position of the City's governmental activities; and

WHEREAS, during the course of this year's financial audit, OMF management found, and Moss Adams has to report, one significant deficiency in the City's controls over financial reporting; and

WHEREAS, Moss Adams, LLP has completed the federal compliance audit for the federal awards expended by the City and the Portland Development Commission during FY 2012-2013 and found two significant deficiencies in the City's internal control and instances of non-compliance with federal grant regulations; and

WHEREAS, all these significant deficiencies in control over financial reporting and over compliance with federal grant requirements are reported in the Schedule of Findings and Questioned Costs, as required by OMB Circular A-133. The Schedule of Findings and Questioned Costs is found on pages 345 through 349 of the City's FY 2012-13 CAFR, (Exhibit B), and is presented here as Exhibit C; and

WHEREAS, management of OMF, the Bureau of Police and Portland Housing Bureau have prepared responses to their significant deficiencies, setting forth the corrective measures management proposes to correct these deficiencies in controls, found on pages 352 through 354 of the City's FY 2012-13 CAFR, (Exhibit B), and presented here as Exhibit D; and

WHEREAS, the Oregon Revised Statute 297.466 (2) requires the governing body of a city to adopt a resolution setting forth the corrective measures it proposes to correct the deficiencies disclosed in the audit report; and

NOW, THEREFORE, BE IT RESOLVED, that the City of Portland accepts the financial audit of the

City's Comprehensive Annual Financial Report for FY 2012-2013 and the related Communications with Those Charged with Governance from the independent financial auditors; and

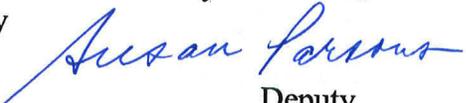
BE IT FURTHER RESOLVED, that the City of Portland adopts and endorses the City's management responses to correct the significant deficiencies in controls disclosed in the audit report.

Adopted by the Council: MAR 19 2014

City Auditor LaVonne Griffin-Valade  
Prepared by: Fiona Earle, CIA, ACA  
Date Prepared: March 10, 2014

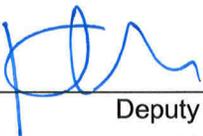
**LaVonne Griffin-Valade**  
Auditor of the City of Portland

By

  
Deputy

Agenda No.  
**RESOLUTION NO. 37062**  
 Title

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<p style="text-align: center;"><b>INTRODUCED BY</b>                  Commissioner/Auditor:  <b>LaVonne Griffin-Valade</b></p>	CLERK USE: DATE FILED <u>MAR 14 2014</u>
<p style="text-align: center;"><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p>	LaVonne Griffin-Valade Auditor of the City of Portland   By: _____ Deputy
<p style="text-align: center;"><b>BUREAU APPROVAL</b></p> <p>Bureau: Office of the City Auditor                  Bureau Head: LaVonne Griffin-Valade</p> <p>Prepared by: Fiona Earle                  Date Prepared: March 10, 2014</p> <p>Financial Impact &amp; Public Involvement Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document                  If "Yes" requires City Policy paragraph stated in document.                  Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><b>City Auditor Office Approval:</b>                  required for Code Ordinances</p> <p><b>City Attorney Approval:</b>                  required for contract, code, easement, franchise, charter, Comp Plan</p> <p>Council Meeting Date <b>March 19, 2014</b></p>	
<p><b>ACTION TAKEN:</b></p>	

<b>AGENDA</b>
<p><b>TIME CERTAIN</b> <input checked="" type="checkbox"/></p> <p>Start time: <u>9:30 am</u> <span style="margin-left: 100px;">30</span></p> <p>Total amount of time needed: <b>20 min</b> (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Novick	4. Novick	✓	
Hales	Hales	✓	